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COMMISSION ON TRANSNATIONAL CORPORATIONS
Seventeenth session
10-19 April 1991
Agenda item 14

ADOPTION OF THE REPORT OF THE COMMISSION ON ITS SEVENTEENTH SESSION

Draft report

Addendum

Rapporteur: Andrew G. BANGALI (Sierra Leone)

Chapter ____

ONGOING AND FUTURE RESEARCH

1. The Commission considered item 6 of its agenda at its 4th and 6th meetings, on 11 and 12 April 1991. It had before it the report of the Secretary-General on the determinants of foreign direct investment and their policy implications (E/C.10/1991/7). Another report related to this agenda item, on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1991/15), was considered separately under agenda item 12.

2. In his introductory statement, the Deputy Executive Director of the Centre stated that existing research on the determinants of foreign direct investment indicated that factors specific to transnational corporations were the most important in determining the size of world-wide flows of foreign direct investment, while factors specific to host countries' locations were important in determining which host countries received those flows. Empirical research indicated that economic conditions within host countries had been more important than policy changes in attracting larger inflows of foreign direct investment to developing countries. The Deputy Executive Director

suggested that policy changes could provide an important precondition for attracting foreign direct investment, but were not sufficient by themselves in making host locations more attractive. He stated that policies might be most effective if they were formulated to reinforce a host country's locational advantages.

3. All delegations contributing to the discussion expressed support for the Centre's research programme and noted its importance in helping host developing countries to formulate appropriate policies towards foreign direct investment. One delegation noted the growing importance of non-equity arrangements by transnational corporations and suggested that the Centre should study the conditions under which transnational corporations chose equity or non-equity forms of investment. Several delegations stressed the importance of conducting research on transnational corporations and human resources development. Several delegations pointed to the importance of research on the links between foreign direct investment and other aspects of economic performance, such as international trade, technology transfer, financial flows, debt burdens and industrial structure, including the role of small- and medium-sized transnational corporations. One delegation also suggested studies on the role of regional integration in attracting foreign direct investment and the growing impact of foreign direct investment from the newly industrializing economies.

4. Several delegations commented on the heightened competition for foreign investment among host developing countries, a competition that was becoming intense with the emergence of Eastern Europe as a potential host region. In the view of one delegation, such competition could benefit transnational corporations but would not benefit developing countries. Several delegations noted that the growing importance of technology in international production had reduced the importance of such locational advantages as labour costs and, as a result, a number of developing countries might be forced to reduce their participation in the world economy.

5. One delegation commented that its own experience with policies towards foreign direct investment corroborated the finding that policy liberalizations might be a precondition for attracting foreign direct investment but were not sufficient by themselves, and suggested that countries might frequently find themselves in a dilemma with respect to formulating policies that might be necessary for the domestic economy but might weaken the countries' ability to attract foreign capital. Another delegation emphasized the importance of recognizing that many factors, including the competitive advantages of transnational corporations, were beyond the influence of host countries, and that host countries should therefore focus on improving those factors that were under their influence.

6. In concluding the discussion, the Deputy Executive Director of the Centre took note of the many suggestions for future research put forward by delegates. He indicated that the Centre recognized the importance of further work on those issues. He stated that research to date supported the conclusion that while host developing countries could not affect all

determinants of foreign direct investment, appropriate policies were a necessary precondition and host countries should make all efforts to institute polices to attract foreign direct investment by transnational corporations.

Action taken by the Commission

7. The Commission took note of the report of the Secretary-General on the determinants of foreign direct investment and their policy implications (E/C.10/1991/7) and requested the Secretary-General to prepare another report on the Centre's ongoing and future research efforts for the next session of the Commission.

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Rapporteur: Andrew G. BANGALI (Sierra Leone)

Chapter ____

COMPREHENSIVE INFORMATION SYSTEM

1. The Commission considered agenda item 11 at its 7th meeting, on 15 April 1991. It had before it the reports of the Secretary-General on the legal information services provided by the United Nations Centre on Transnational Corporations (E/C.10/1990/14) and on the activities of the United Nations Centre on Transnational Corporations and of the joint units established with the regional commissions (E/C.10/1990/15), which included information on the Centre's comprehensive information system.

2. In his introductory statement, the Deputy Executive Director of the Centre noted the critical importance of providing access to reliable data on the structure, activities and strategies of major international actors, such as transnational corporations, and also access to information on the policies, laws and measures of Governments in that regard.

3. He provided a résumé of the current and future activities of the Centre with respect to the macroeconomic, legal, contractual, corporate and bibliographic components of the information system. During the past year, the Centre had received and responded to as many as 2,500 requests for in-depth

information on various issues related to transnational corporations, which represented an increase of 25 per cent over the requests that had been registered in the previous year - an eloquent testimony to the increasing recognition by Governments of the importance of information in their decision-making processes.

4. Concerning the legal component of the Centre's information services, which was the focus of the report of the Secretary-General on the legal information services provided by the United Nations Centre on Transnational Corporations to developing countries (E/C.10/1991/14), the Deputy Executive Director gave examples of inquiries typically directed to the Centre in that area. He noted that the Centre responded to those requests by assembling, analysing and furnishing relevant information and data, where appropriate, or by establishing an advisory mission consisting of experts who advise on the entire range of options available to the country. Over the years, the Centre had compiled a body of legal information which revolved around the following categories: laws and regulations relating to foreign investment, transfer of technology and transnational corporations generally; contracts and other transactions involving transnational corporations; analytical studies on various legal issues or trends in transnational transactions; and secondary material on international business law.

5. He stated that a stable investment climate required specific measures of various kinds; the provision of appropriate, up-to-date information was a modest part of such measures.

6. One delegation expressed satisfaction with the progress made by the Centre in the collection and dissemination of information useful to the understanding of transnational corporations. It was of the opinion that the information provided by the Centre was critical to effective policy-making and the conclusion of satisfactory investment agreements. The delegation supported the development of databases of financial and textual information on companies, particularly small and medium-size transnational corporations, as well as the activities of the Centre in making its electronic information available at the national level through the installation of local systems.

7. The same delegation noted with satisfaction the progress made by the Centre in collecting and disseminating legal information; it considered, in particular, that the development of full text databases of national laws and regulations on foreign direct investment and transnational corporations would constitute an important support resource for member States. It was further noted that member States played a key role in establishing effective information disclosure mechanisms and expressed support for international action directed towards facilitating information access and dissemination in that area of economic activity.

Action taken by the Commission

8. The Commission took note of the report of the Secretary-General on the legal information services provided by the United Nations Centre on Transnational Corporations to developing countries (E/C.10/1991/14) and requested the Secretary-General to report to the Commission at its eighteenth session on the experience gained in the development of the comprehensive information system since its seventeenth session.